



Top Stocks for June

Description

We asked our top analysts for their favourite stocks to buy this month.

Kay Ng: Canadian Western Bank ([TSX:CWB](#))

Canadian Western Bank ([TSX:CWB](#)) remains my top idea from last month. Canadian Western is a regional bank offering business and personal banking services across the four western provinces. It is even cheaper than last month, dropping from \$31 to \$28. This is a 34% decline from its 52-week high of \$43. Historically, the bank has traded at a price-to-earnings ratio (P/E) of 15.

Its normal multiple is 13.6 based on the last five years. Today, it's trading close to a multiple of 10.3. Based on the previous multiples mentioned, the bank could trade between \$37.2 and over \$40. This implies a return of 35.8-44.8% including the 3% dividend.

Canadian Western has increased its dividend every year for the past 23 years. It has a sustainable payout ratio of 28%, and a yield of 3%. The bank forecasts earnings growth between 5-8% in 2015 compared to 2014's growth of 15%. Believing the lower earnings growth to be a temporary effect, at present levels, it's an even better opportunity than last month to get your hands on its shares for long-term capital gains and a decent yield.

Fool contributor Kay Ng owns shares of Canadian Western Bank.

Doug Watt: CAE Inc. ([TSX:CAE](#))([NYSE:CAE](#))

CAE Inc. ([TSX:CAE](#)) ([NYSE:CAE](#)) reported record annual revenues for 2014 as the flight simulator and training company continues to dominate the sector. CAE also set a new high for operating income and has an order backlog of more than \$5 billion.

The company is expected to benefit from a positive aerospace cycle over the next several years, with the weaker Canadian dollar and lower crude oil prices also providing stimulus.

CAE has an excellent portfolio of both civil and defence aviation contractors, with military cuts largely

baked into the stock price, according to analysts.

Fool contributor Doug Watt has no position in CAE.

Andrew Walker: SNC-Lavalin Group Inc. (TSX:SNC)

SNC-Lavalin Group Inc. (TSX:SNC) is a value pick, albeit a controversial one.

The company trades at \$44 per share. Its stake in Highway 407 is worth about \$20 per share and SNC has another \$13 per share in cash and short-term investments. That leaves \$11 per share for the rest of the business, including a revenue backlog of more than \$12 billion.

Concerns persist around the RCMP corruption charges that could lead to a ban on bidding for government contracts, but SNC just won a 35-year contract to build and maintain Montreal's new Champlain Bridge. This doesn't guarantee the company will avoid a ban, but it sends a strong message.

Fool contributor Andrew Walker has no position in SNC-Lavalin.

Ryan Vanzo: RMP Energy Inc. (TSX:RMP)

RMP Energy Inc. (TSX:RMP) is an oil and gas producer in west-central Alberta. Even after rolling back its expense budget by more than half to save on costs, the company still expects to grow production by 10-20% in 2015. Unlike its debt-ridden peers, RMP Energy is capable of paying down all outstanding debt with only one year of cash flows.

The company boasts an experienced, well-regarded management team that has a proven ability to grow production volumes even at lower prices. With an attractive asset base and significant financial flexibility, RMP Energy is positioned to thrive in a period of lower energy prices, while still poised to benefit immensely should prices rebound higher.

Fool contributor Ryan Vanzo has no position in RMP Energy Inc.

Karen Thomas: Badger Daylighting Ltd. (TSX:BAD)

Badger Daylighting Ltd. (TSX:BAD) has been negatively affected by its exposure to the oil and gas sector, which represents 50% of total revenues. But this represents a buying opportunity, as the company's hydrovac excavation services are in demand not only by the oil and gas industry, but also petro-chemical plants, power plants and other large industrial facilities in North America.

The company has achieved strong margin improvements, with first quarter 2015 EBITDA margin coming in at 27.3%, and strong growth in the U.S. business (11.8% growth in revenues in the latest quarter). The company has consistently generated high returns on equity of over 20%, a strong balance sheet and is trading at less than 20 times earnings.

Fool contributor Karen Thomas does not own shares in Badger Daylighting.

Joseph Solitro: WestJet Airlines Ltd. (TSX: WJA)

WestJet Airlines Ltd. (TSX: WJA) is one of the largest airline companies in North America, and it has been growing at a consistent rate over the last few years, including 40 consecutive profitable quarters. In its most recent quarter, its earnings per share increased 58% to \$1.09 and its revenue increased 4% to \$1.08 billion, both of which surpassed analysts' expectations.

At current levels, WestJet's stock trades at just 8.1 times fiscal 2015's estimated earnings per share of \$3.32, which is very inexpensive compared to its five-year average price-to-earnings multiple of 13.8. In addition, the company pays an annual dividend of \$0.56 per share, giving its stock a 2.1% yield at today's levels, and it has increased its dividend five times in the last three years, making it one of the top dividend growth plays in the industry.

I think WestJet will outperform the overall market in both the short and long term, so Foolish investors should strongly consider initiating positions today.

Fool contributor Joseph Solitro has no position in any of the stocks mentioned.

Neha Chamaria: Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#))

After zooming 14% over the past month, **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) stock looks poised to rally even higher.

Recent strong sales momentum suggests that the U.S. auto industry could easily top 2014 sales of 16.4 million new vehicles this year. That's a big catalyst for Magna given that it gets more than 50% of its sales from North America. Meanwhile, its recent joint venture deal in China should give Magna strong foothold in the high-potential market.

At the same time, management is doing an excellent job with cost control, as evidenced by 18% jump in Magna's Q1 profits despite lower revenue. Higher sales, combined with lower costs, should boost the auto-parts manufacturer's profits and cash flows, thereby generating greater returns to shareholder.

For such solid growth prospects Magna stock is currently trading at merely 10 times forward earnings. That certainly looks like a bargain, I'd say.

Fool contributor Neha Chamaria has no position in any of the stocks mentioned.

Jacob Donnelly: Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))

Because of significant amount of fear related to regulation, **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) has been getting hammered in the markets, even after it had year-over-year growth in revenue of 15%. To top that off, it had a 30% year-over-year increase in profits. Does that sound like a company that deserves to be down \$15 per share over the past three months?

Because of how wide its moat is and the fact that it pays a decent yield of 1.71%, I feel confident that this stock is going to continue to see growth going forward. Regulation might be a little bit of a break, but it is clearly growing its revenues and profits, which should only translate into more dividends for investors.

Fool contributor Jacob Donnelly does not own shares of Canadian National Railway Company

Nelson Smith: Corus Entertainment Inc. ([TSX:CJR.B](#))

Thanks to fears about new CRTC rules allowing customers to pick and choose individual cable channels starting in 2016, shares of **Corus Entertainment Inc.** ([TSX:CJR.B](#)) have fallen more than 30%.

This slide has made shares really cheap. They trade at just 10% above book value, and at eight times the company's projected 2015 free cash flow. Other companies in the sector trade at between 16 and 20 times their free cash flow.

Plus, investors are getting a generous 6.5% dividend, a payout of approximately 40% of the projected free cash flow. The low valuation and terrific dividend combine to make a pretty compelling value proposition.

Fool contributor Nelson Smith owns shares of Corus Entertainment.

Robert Baillieul: Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#))

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) is a hidden gem. In fact, I doubt you've ever heard of it. But if you own shares of this company, you own a piece of some of the most important infrastructure assets in the world.

This partnership owns ports throughout Europe, railroads in Australia, and toll roads all over South America. These are irreplaceable assets. No one is going to build another port or a new toll road next to one already in place.

For shareholders, this has translated into steady income. Today Brookfield pays a quarterly distribution of \$0.53 per unit, which comes out to an annualized yield of 4.7%.

Fool contributor Robert Baillieul has no position in any stocks mentioned.

Matt Smith: The Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#))

I have been bullish on the **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) for some time. This is because I believe that its international exposure, notably to Latin America, offers solid long-term growth prospects. The economies in this region are significantly under-banked and their GDPs are expected to expand at a far greater rate than Canada's.

Currently, the Bank of Nova Scotia derives around a quarter of its net income from its international business. This will help to shield the bank from the financial fallout triggered by the oil rout and its impact on Canada's economy.

It also made a series of acquisitions in 2014 that beefed up its consumer lending portfolio, a space where it has traditionally lagged behind its big five peers. While this marginally increased the degree of balance sheet risk, it will help to drive higher earnings as the economy picks up.

For these reasons, I expect the Bank of Nova Scotia to remain one of Canada's top financial stocks, making it a core holding for any portfolio.

Fool contributor Matt Smith has no position in any stocks mentioned.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CAE (CAE Inc.)
4. NYSE:CNI (Canadian National Railway Company)
5. NYSE:MGA (Magna International Inc.)
6. TSX:ATRL (SNC-Lavalin Group)
7. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
8. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
9. TSX:BNS (Bank Of Nova Scotia)
10. TSX:CAE (CAE Inc.)
11. TSX:CJR.B (Corus Entertainment Inc.)
12. TSX:CNR (Canadian National Railway Company)
13. TSX:CWB (Canadian Western Bank)
14. TSX:MG (Magna International Inc.)

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